Assessing a just transition: measuring the decarbonisation and energy transformation that leaves no one behind

Just transition approach report

February 2021
Sustainable development can only be achieved by striking the right balance between economic, environmental and social components. Decarbonisation of the economy will only succeed if climate justice includes solutions for workers and communities. The Paris Agreement accounts for ‘the imperatives of a just transition of the workforce and the creation of decent work and quality jobs.’ The private sector has a critical role to play in facilitating the shift towards a low-carbon world, but it must work in tandem with communities, workers, unions and policymakers to ensure no one is left behind.

The World Benchmarking Alliance (WBA) is an independent organisation that is building a movement to measure and incentivise business impact towards a sustainable future that works for everyone. We have identified seven systems transformations that need to take place to put our society, planet and economy on a path to achieve the Sustainable Development Goals (SDGs). To turn these transformations into action, WBA, in close collaboration with its Allies, is developing a series of publicly available and free benchmarks that assess and measure the contributions of the 2,000 most influential companies to the SDGs. We call these companies the SDG2000. 450 of these companies have been identified as most influential for the decarbonisation and energy system transformation.

In light of the crucial role the private sector has to play in achieving a low-carbon world, WBA intends to assess these 450 companies by 2023 on their contribution to a just transition by assessing their alignment with the goals of the Paris Agreement alongside their approach to addressing the social challenges of a low-carbon transition.

The WBA just transition assessments will be the first of their kind; publicly available and free rankings of and insights into the contributions of globally influential companies in high-emitting sectors to a just transition and their alignment to a low-carbon pathway. These assessments can become a unique and critical accountability mechanism of a decarbonisation and energy transformation that leaves no one behind.

This report sets out how WBA proposes to get there, including how we will invite stakeholders to participate in the development of indicators for assessing companies’ contributions to a just transition through our multistakeholder process. It also includes synthesis of the November 2020 findings from WBA’s Climate and Energy Benchmark and Corporate Human Rights Benchmark assessments in the Automotive sector.

Our timeline sets out the next steps and consultation moments in this process. If you have any questions or comments in response to this report, we warmly welcome feedback to:
info.climate@worldbenchmarkingalliance.org
Transforming our energy system and decarbonising the economy is a crucial step in the fight against climate change and therefore has a potential impact on billions of people. The decarbonisation and energy transformation will directly impact the lives of those involved in high-emitting sectors and energy generation businesses and their extended supply chains. These workers and the communities dependent on them will be at as much risk of negative impacts during the transition to a low-carbon economy as the farm and factory workers were during the industrial revolution. As seen by the recent gilets jaunes protests in France, as well as protests in Ecuador and Chile, approaches to achieving the Paris Agreement temperature goals that do not bring people along can have many secondary impacts beyond unemployment, including civil unrest. The social challenges arise when the transition to a low-carbon economy is not sufficiently planned or resourced to manage social impacts, and when it happens too fast for policy and socially focused interventions to keep pace. However, transformations always come with both risk and opportunity. A new report by McKinsey has projected that a net-zero transition in the EU would create a net increase of five million jobs.

A just decarbonisation and energy transition

‘Just transition’ can refer to an equitable sustainability transition for workers in any sector. In the context of the Paris Agreement, it refers to a just transition in the shift to a low-carbon economy. In November 2015, the International Labour Organization (ILO) adopted a set of guidelines to ensure that national and global efforts to tackle climate change [...] further employment creation goals, social justice and fair transitions for workers, enterprises and communities in an equitable manner. Since 2015, there has been a continued push from civil society and unions on this front, as well as an increasing recognition from governments and policymakers, investors and companies, of the need to ensure that addressing climate change and providing for climate resilience that leaves no one behind.
The role of the private sector

Companies have a crucial role to play in facilitating the shift towards a low-carbon world in a way that leaves no one behind. 100 active fossil fuel producers have been linked to 71% of industrial greenhouse gas emissions since 1988. 8 At the same time, an estimated 28.4 million people work in, or work in support of, the energy sector and a further 1.4 billion workers have been identified as employed in sectors critical to climate stability. 9 Companies have also helped build communities around their operations and have benefitted from this; so for sectors in which withdrawal of operations is necessary, this comes with responsibility to plan for those communities too. Investors also increasingly require companies to disclose climate-related risks, opportunities, labour practices and workforce planning, and see these as material to company performance. 10 Through engagement with workers and their communities, unions and policymakers, companies can act as a force for good in accelerating and implementing key elements of a just transition.

Moreover, by contributing to a just transition, companies can take action towards both the Paris goals and the SDGS, in particular SDG 8 on Decent Work and Economic Growth. A just transition connects multiple SDGs as illustrated:

In light of this, WBA will commence measuring the private sector’s contribution to a just transition by developing assessments of the companies in high-emitting sectors that are most influential for the decarbonisation and energy transformation. These assessments will be designed to be flexible, enabling future measurements of other elements of a just transition (e.g. enabling access to modern and sustainable energy as per SDG7, or decarbonising and enhancing climate resilience in the agriculture sector).

**Just transition: social assessments in the decarbonisation and energy transformation**

WBA is benchmarking 2,000 companies across seven systems transformations. We are assessing 450 companies within the decarbonisation and energy transformation, measuring their progress against the Paris Agreement and the related SDGs. These companies are currently assessed using Assessing low-Carbon Transition or ‘ACT methodologies’. ACT low-carbon transition assessment results are used to generate the WBA Climate and Energy Benchmark.

The ‘social transformation’ sits at the heart of the WBA model and the social transformation framework was published in January 2021. With this framework, WBA has committed to integrating social criteria in all transformation benchmarks going forward.

For the decarbonisation and energy transformation, these social criteria will be based on a common set of core social indicators (applicable to all 2,000 companies in scope for WBA’s benchmarks)
WBA’s approach to assessing a just transition

as well as a series of just transition social indicators that are being developed and consulted on currently.

The core social indicators, combined with the just transition social indicators and the ACT low-carbon transition indicators will enable us to measure the 450 Climate and Energy Benchmark companies on their contribution to a just decarbonisation and energy transition.

Industry and company scope

450 companies – the ‘D&E450’ – will be benchmarked in the Climate and Energy Benchmark. They sit in the automotive manufacturing, electric utilities, oil and gas, transport, real estate, cement, metals and mining, and heavy machinery sectors. The 2021 just transition assessments will be done on 100 oil and gas, 50 electric utilities and 30 automotive companies.

Acknowledging that different sectors will require unique corporate contributions to a just transition, WBA plans to develop a set of sector-agnostic just transition indicators along with sector-specific indicators, as required for each industry benchmarked (see Figure 3). WBA’s just transition assessments will combine the low-carbon transition assessment and the social assessments:
The WBA just transition assessments will be the first of their kind; publicly available and free rankings of the contributions of globally influential companies in high-emitting sectors to a just transition. These assessments can become a unique and critical accountability mechanism of a decarbonisation and energy transformation that leaves no one behind.

WBA’s approach to assessing a just transition

WBA’s financial system transformation is also relevant to a just transition, with financial institutions both influencing the companies benchmarked, and transforming the financial system itself. Cross-system collaboration will be crucial to achieving the SDGs and other global goals for sustainability.
WBA has scoped the areas in which additional indicators are required to assess companies on their contribution to a just transition, through:

1. Desk-based research, including a mapping of existing WBA indicators and those of our Allies and other key stakeholders that relate to a just transition.
2. Synthesis of findings from the 2020 Climate and Energy Benchmark (CEB) and Corporate Human Rights Benchmark (CHR) of 30 keystone automotive manufacturing companies.
3. Initial dialogues with expert stakeholders in relation to the scope of just transition topics.

Each area is explained in more detail below:

1. Desk-based research

WBA began the development of our just transition approach through desk-based research. Through this, we identified in which areas companies can contribute to a just transition and which of these areas could in principle be assessed through indicators to form benchmark outputs (our ‘proposed just transition topics’). As with all WBA indicator development, we build on the work of others and so analysed international norms, frameworks, and standards on a just transition, including:

Developing WBA’s approach to assessing a just transition

- Stockholm Environment Institute, “Seven principles to realize a just transition to a low-carbon economy”, 2020.

We reviewed other instruments underpinning the social transformation more broadly, including:


We also reviewed relevant reporting frameworks, including the GRI and SASB Standards.

Further, we are building on our own WBA methodologies, which are built in turn on existing frameworks, standards, and norms. Appendix 1 of this report presents a mapping of the proposed just transition topics that were identified through this desk-based research against existing WBA core social and ACT methodology indicators.

2 Synthesis of findings for 30 keystone Automotive sector companies in the Climate and Energy Benchmark and Corporate Human Rights Benchmark

In the coming decades, emissions-intensive sectors, such as automotive, face the major challenge of shifting to a low-carbon economy while upholding the central promise of the SDGs to leave no one behind. They will do this by paying attention to both the low-carbon transition and the human rights impacts that come with this – and recognising the interlinkages between them. Demonstrating success in both areas is paramount to ensure a just transition. The point of the just transition indicators is to make that integration even more explicit and provide a roadmap of the steps companies can take to contribute to such a transition.

WBA has therefore analysed results from two of our benchmarks - the Climate and Energy Benchmark (CEB) and Corporate Human Rights Benchmark (CHRB) to gain insight into the current state of companies’ contributions to a spotlight area of the social transformation that is a key enabler of a just transition: respect for human rights. 30 keystone companies were assessed in both the 2020 CEB Automotive Performance Update and in the CHRB. This has allowed WBA to assess automotive companies’ performance regarding their efforts to advance the low-carbon transition as well as respecting human rights.

When comparing the CEB and CHRB Automotive assessments, the results are alarming. Almost no correlation could be found between the companies’ relative performance on either benchmark, suggesting
Developing WBA’s approach to assessing a just transition

a disconnect between their disclosures as well as their actions on climate and human rights issues (Figure 4). Some companies that demonstrated action on climate issues, such as low-carbon transition plans, emissions reduction targets and climate change oversight, disclosed very little, if any, information on how they manage human rights, and vice versa. This lack of correlation suggests that many automotive manufacturers still consider climate and human rights issues separately, to be addressed independently of each other, despite the fact that they are increasingly recognised as interconnected.

Case Study: Tesla Motors
Even companies that perform well on emissions have far to go on supply chain, transparency and human rights aspects of their business. Tesla Motors, a major manufacturer of electric vehicles, performed strongly on the vehicle in-use emissions module in the 2020 CEB but poorly on supplier engagement and target setting. Similarly, when observing the company’s approach to managing human rights, Tesla scores in the bottom third of companies assessed in the CHRB with an overall score of 6.3/100. This approach has come under recent scrutiny, with a 2020 shareholder resolution demanding Tesla improve its disclosures on human rights governance, due diligence and remedy. While the resolution did not pass (24.8% voted in favour), it highlights that even when a company contributes to decarbonisation, a lack of essential human rights policies and processes to prevent abuse of communities and workers cannot be overlooked.

FIGURE 4: Comparison of results: Climate and Energy Benchmark vs. Corporate Human Rights Benchmark

<table>
<thead>
<tr>
<th>Climate and Energy Benchmark</th>
<th>Company</th>
<th>CHRB</th>
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<tbody>
<tr>
<td>Anhui Jianghuai Automobile Group</td>
<td>BAIC Motor*</td>
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<td>BMW</td>
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<td>BYD</td>
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<td>Chongqing Changan</td>
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<td>Daimler</td>
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<tr>
<td>Dongfeng Motor Group</td>
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<tr>
<td>FAW Car Company*</td>
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<tr>
<td>Fiat Chrysler Automobiles</td>
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<td>Ford</td>
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<tr>
<td>Geely*</td>
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<td>General Motors Corporation (GM)</td>
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<td>Great Wall Motor Company</td>
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<td>Groupe PSA</td>
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<td>Guangzhou Automobile Group</td>
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<td>Honda Motor Company</td>
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<td>Hyundai Motor Company</td>
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<tr>
<td>Kia Motors Corporation</td>
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<td>Mahindra and Mahindra</td>
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<tr>
<td>Mazda Motor Corporation</td>
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<tr>
<td>Mitsubishi Motors Corporation</td>
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<tr>
<td>Nissan Motor Company</td>
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<td>Renault</td>
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<td>SAIC Motor</td>
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<td>Subaru</td>
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<tr>
<td>Suzuki Motor Corporation</td>
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<tr>
<td>Tata Motors</td>
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<tr>
<td>Tesla</td>
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<tr>
<td>Toyota Motor Corporation</td>
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<td>Volkswagen</td>
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*For these companies (BAIC Motor, FAW Car Company and Geely), the Climate and Energy Benchmark has assessed a different corporate entity from CHRB.
A key area of weakness for the sector in both assessments is supply chain management. The CHRB found that 90% of automotive companies assessed failed to set core expectations through contractual arrangements with suppliers for risks such as forced labour and child labour, and only one mapped its direct and indirect suppliers for major components. Similarly, in the CEB, more than half of the companies showed no evidence of driving emissions reductions throughout their supply chain, and a quarter of companies did not engage their suppliers on climate change issues and greenhouse gas emissions at all. As companies begin to shift towards greener power, demand for energy storage in the form of batteries is expected to grow, particularly in the electric vehicle market. In this context, a lack of supplier engagement, especially in the areas of forced labour and child labour, is concerning. This is because minerals present in these batteries are often sourced from politically unstable locations and have been linked to pervasive human rights abuses, including child labour.

3 Initial dialogues with expert stakeholders in relation to the scope of just transition topics

Further, WBA has conducted initial stakeholder dialogues with leading labour, business, academic and civil society organisations with expertise on the just transition, including the officials from the ILO, the Business & Human Rights Resource Centre, Ceres (working on the Climate Action 100+ Net-Zero Company Benchmark), BSR, the Interfaith Center on Corporate Responsibility (ICCR), the International Institute for Environment and Development (IIED) and the Institute for Human Rights and Business (IHRB). In each conversation, the initial proposed just transition topics (set out in Appendix 1) were discussed, and stakeholders were invited to comment on the completeness, global applicability, and relevance of each topic.

Overall, the dialogues confirmed that benchmarking keystone companies in high-emitting sectors on their contribution to a just transition in publicly available and free outputs will be an impactful addition to the landscape and that the proposed topics appear broadly relevant. Unions and civil society organisations can use the transparency provided by these assessments to hold companies accountable, and governments can use them as evidence to inform policy making for a just transition. Additionally, investors and the companies themselves will be able to use the assessments as a roadmap to move towards leaving no one behind in the transition towards a low-carbon economy.

Stakeholders also flagged the following content for consideration:

- Communities should be explicitly covered as well as workers.
- Social dialogue should be clearly and correctly defined and is distinct from stakeholder engagement.
- Differing views were provided regarding the need for formal engagement by companies with unions and worker representatives. One stakeholder said this is necessary for just transition; another noted that some regions’ workforces do not have formal representatives and so only informal dialogues are possible.
- A gender and inclusivity element should be explicit in assessing decent and green job creation and reskilling workers.
- Emphasis should be placed on retaining, retraining/reskilling...
and redeploying workers; not making workers redundant in the low-carbon transition.

- Sector-specific indicators should be developed, as e.g. the automotive manufacturing sector has different impacts and supply chain structures to the electricity generation sector.

- ‘Just transition’ is a recognised term in many regions but not all. Terminology must be clear and globally inclusive.

- Land, water, and other environment-related human rights should be considered for inclusion.

The proposed topics, revised to reflect this feedback, are set out in Appendix 1.
We have identified that benchmarking companies in high-emitting sectors on their contribution to a just transition is both useful and will require developing additional indicators. WBA therefore proposes the following timeline to develop these indicators and apply them to assess 180 companies across the Automotive (30 companies), Electric Utilities (50 companies) and Oil and Gas (100 companies) sectors in 2021:

I Composition of the WBA Just Transition Advisory Group (JTAG)

**February 2021:** WBA will bring together a Just Transition Advisory Group (JTAG) of multistakeholder experts on just transition. The JTAG will aid the formulation of the just transition indicators and their application for company assessments. The JTAG will also identify opportunities for collective impact, in support of the just transition and changing company behaviour.

II Publication of the draft just transition indicators

**March 2021:** In collaboration with the IHRB, WBA will publish a series of policy briefs, setting out the draft just transition indicators and background on why each indicator is proposed for company assessments. These publications will include the sector-agnostic as well as sector-specific indicators. They will include the details of how stakeholders can provide feedback on the draft indicators.

III Public consultation on draft just transition indicators

**March - April 2021:** The draft just transition indicators will be open for stakeholder feedback for a six-week consultation period. WBA will host virtual roundtables in April to gather stakeholder feedback.

IV Publication of final just transition indicators

**May 2021:** WBA will integrate feedback, consult with the JTAG, and publish our finalised just transition indicators.

V Assessment of 180 companies in high-emitting sectors by the end of 2021

From **June 2021** onwards:

- Publish ACT assessment results of 100 Oil and Gas sector companies. Begin low-carbon assessments of 50 Electric Utilities and 30 Automotive sector companies.
- Assess 100 Oil and Gas, 50 Electric Utilities and 30 Automotive sector companies against core and transformation-specific social indicators and combine the results with the ACT assessment to create an assessment of their contribution to the just transition.
- Develop networks for creating impact with the just transition assessments. Engagement at key moments and fora, such as the EU Just Transition Platform and the Partnering for Green Growth & the Global Goals (P4G) Summit.
Q3 2021: Publish the just transition assessments, including low-carbon transition assessments for the 100 Oil and Gas, 50 Electric Utilities and 30 Automotive sector companies. Engage on assessment results at COP26 to bring deeper accountability for companies in scope for the Climate and Energy Benchmark, sharpen the view on business issues core to a just transition and converge climate and socially driven stakeholders for collective action.
The purpose of this report was to answer:

1. Will WBA assessments of the D&E450 companies on their contribution to a just transition be an impactful addition to the landscape?
2. How can WBA develop these assessments in a way that builds on the work of others and that will accelerate corporate contributions to a just transition?

We concluded that our just transitions assessments will be an impactful addition to the landscape. Trade unions and civil society organisations can use the transparency provided by these assessments to hold companies accountable, and governments can use them as evidence to inform policy making for a just transition. Additionally, investors and the companies themselves will be able to use the assessments as a roadmap to move towards practices to ensure no one is left behind in the decarbonisation and energy transformation. WBA will continue to develop additional indicators, by building on what is out there, with the support of the JTAG and through its multistakeholder methodology development processes. WBA’s ambition is to complete the assessments of the D&E450 on their contributions to a low-carbon transition that leaves no one behind by 2023.

WBA wrote this approach report with the support of Porticus.
The table below illustrates where the existing WBA core social and/or ACT methodologies contain an indicator that is relevant or partially relevant to the proposed just transition topic. Each company in the Climate and Energy Benchmark will be assessed on the ACT methodology and WBA core social indicators. Therefore additional just transition indicators only need to be developed where no existing core social or ACT indicator fully covers the scope of the just transition topic. ‘Indicative scope of just transition indicators to be developed’ in the table below thus identifies only where new indicator content needs to be developed by WBA.

<table>
<thead>
<tr>
<th>Proposed just transition topics (revised back on stakeholder feedback)</th>
<th>Existing WBA core social indicators/ACT methodology indicators</th>
<th>Indicative scope of just transition indicators to be developed</th>
</tr>
</thead>
</table>
| Company respects and promotes workers’ and human rights and plans for a just transition for workers and communities | **Core Social:**  
CSI 1 Commitment to respect human rights  
CSI 2 Commitment to respect the human rights of workers  
**ACT methodologies:**  
Automotive Manufacturing sector methodology, indicator 5.3, Electric Utilities sector methodology indicator 4.3, Oil and Gas sector methodology indicator 5.3 – Low-carbon transition plan | The company plans for how to ensure that the low-carbon/net-zero transition will be just and equitable for workers and their communities (adapted from Climate Action 100+ Net-Zero Benchmark, LSE, UNFCCC). |
| Social dialogue and stakeholder engagement | **Core Social:**  
CSI 6 Engagement with affected and potentially affected stakeholders  
CSI 12 Collective bargaining fundamentals | The company engages in social dialogue with workers and their trade unions to plan for the just transition. (ILO, B Team & Just Transition Centre). Tripartite dialogue between unions, the company and relevant government bodies is also strongly recommended. (B Team & Just Transition Centre, SEI, UNFCCC, IHRB, OHCHR). The company engages with other stakeholders about the just transition. (BSR, LSE). |
| Green and decent job creation, including inclusive and gender balanced workforce | **Core Social:**  
CSI 19 Health and safety fundamentals  
CSI 10 Living wage fundamentals  
CSI 11 Working hours fundamentals  
CSI 12 Collective bargaining fundamentals | The company has a commitment to/plans to create green and decent jobs (B Team & Just Transition Centre, LSE, UNFCCC). This includes a commitment to ensuring gender balance and inclusion of vulnerable groups (BSR, ILO, OHCHR). |
## Appendix 1: Proposed topics, mapped to existing WBA core social and ACT indicators

<table>
<thead>
<tr>
<th>Retain and retrain/reskill workers, including inclusive and gender-balanced workforce</th>
<th>Core Social:</th>
<th>The company has a commitment to/plans to reskill workers displaced by the transition to a low-carbon economy (LSE, UNFCCC). This includes a commitment to ensuring gender balance and inclusion of vulnerable groups. (B Team, OHCHR).</th>
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<tr>
<td></td>
<td>CSI 13 Workforce diversity disclosure fundamentals</td>
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<td></td>
<td>CSI 14 Gender equality and women’s empowerment fundamentals</td>
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<tr>
<td>Social protection</td>
<td>Core Social:</td>
<td>The company includes its contribution to social protection (e.g. healthcare benefits and retirement security) in its just transition plan. (B Team &amp; Just Transition Centre, LSE, IHRR) The company works with governments to ensure provision of appropriate income support, pensions and unemployment benefits. (Adapted from BSR).</td>
</tr>
<tr>
<td></td>
<td>CSI 10 Living wage fundamentals</td>
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<td></td>
<td>CSI 16 Responsible tax fundamentals</td>
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<tr>
<td>Advocacy for policies and regulation supporting a just transition</td>
<td>Core Social:</td>
<td>The company advocates for policies that enable the generation of high-quality low-carbon jobs and for those displaced to shift to new livelihoods (BSR, LSE).</td>
</tr>
<tr>
<td></td>
<td>CSI 18 Responsible lobbying and political engagement fundamentals</td>
<td></td>
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<tr>
<td>ACT methodologies:</td>
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<tr>
<td>Automotive Manufacturing 9.1; Electric Utilities 5.1; Oil and Gas 9.1 – Company policy on engagement with trade associations</td>
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<tr>
<td>Automotive Manufacturing 9.2; Electric Utilities 5.2; Oil and Gas 9.2 – Trade associations supported do not have climate-negative activities or position</td>
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<tr>
<td>Automotive Manufacturing 9.3; Electric Utilities 5.3; Oil and Gas 9.3 – Position on significant climate policies</td>
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Appendix 2: Results of preliminary core social assessments in the Automotive sector

WBA has also undertaken a pilot assessment of the 30 keystone automotive companies assessed by the CHRB and CEB in November 2020 using the draft core social indicators (as at June 2020). The pilot assessment aimed to test the indicators to inform their development. Although based on a draft set of indicators, the pilot results give some insights relevant to developing the just transition approach.

Researchers collected publicly available information on the draft core social indicator requirements. The research conducted showed that on average a company scored 11 out of 30 points on the core social indicators, with 44% of indicators being not met, 38% of the indicators being partially met, and 17% of the indicators being fully met. The image to the right compares the rankings based on the core social scores and the ranking based on the ACT low-carbon assessment for the same 30 automobile manufacturing companies:

These results do show some correlation between the companies’ CEB performance and their meeting of the core social expectations. This may suggest that that companies that are better at managing their low-carbon transition are also better at putting in place the policies and practices that are fundamental to underpin the social transformation, or vice versa. Outliers, who are seen to do well on de-carbonisation, but poorly on social, would be a concern for a ‘just’ transformation.

The contrast between CEB results, CHRB results and draft core social indicator results point towards the need for more in-depth assessment of the just transition.
References


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